

Message Text

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FM AMEMBASSY MOSCOW

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C O N F I D E N T I A L MOSCOW 0074

E.O. 11652: GDS

TAGS: BEXP UR

SUBJECT: SOVIET OFFICIAL CAUTIONS ON CRUDE SUPPLY FOR
MOBILE REFINERY

REF: MOSCOW 15142

1. DURING JAN 2 DISCUSSION OF US-SOVIET TRADE PROSPECTS WITH ZINOV'YEV OF MINISTRY FOREIGN TRADE (MFT), ECON COUNSELOR MENTIONED PROPOSED CONSTRUCTION OF OIL REFINERY IN MOBILE, ALABAMA (REFTEL) AS EXAMPLE OF TYPE OF DEAL WHICH COULD SERVE TO BRING GREATER BALANCE INTO TRADE PICTURE. ZINOV'YEV, WHO WAS CLEARLY WELL-INFORMED ON ALL ASPECTS OF PROPOSED DEAL, AGREED BUT WENT ON TO STRESS PROBLEM POSED BY REQUIREMENT THAT SOVIET SIDE PARTIALLY GUARANTEE SUPPLY OF CRUDE FOR REFINERY. WHILE MOST PEOPLE REGARD USSR AS MAJOR CRUDE EXPORTER, ZINOV'YEV NOTED, THIS WAS INACCURATE PICTURE IF ONE EXCLUDES TRADE WITH "SOCIALIST COUNTRIES." WITH NON-SOCIALIST COUNTRIES, HE CLAIMED, USSR POSITION ON OIL MARKET WAS IN RELATIVELY BALANCE, AND HE SAID IT WAS NOT CLEAR WHETHER ADDITIONAL SUPPLIES COULD BE MADE AVAILABLE FOR MOBILE PROJECT.

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2. ZINOV'YEV SHOWED GREATER INTEREST IN POSSIBLE SOVIET SALES OF ELECTRIC POWER GENERATING EQUIPMENT TO US. NOTING THAT SOVIETS HAD LOST OUTIN BIDDING FOR GRAND COULEE, HE SAID HE HAD RECENTLY BEEN ADVISED THAT SOVIETS HAD WON "FROM COMMERCIAL POINT OF VIEW" BIDDING COMPETITION FOR EQUIPMENT TO BE INSTALLED IN "ROCK ISLAND" HYDROPROJECT (ALSO IN WASHINGTON). (COMMENT: EMBASSY WOULD BE INTERESTED IN INFORMATION ON THIS PROJECT. END COMMENT). ZINOV'YEV ALSO EXPRESSED INTEREST IN POSSIBLE COOPERATION BETWEEN SOVIET AND US FIRMS IN BIDDING ON EQUIPMENT FOR MAJOR HYDROPOWER PROJECT TO BE CONSTRUCTED BY BRAZIL AND PARAGUAY ON PARANA RIVER, WITH SOVIETS SUPPLYING 750MW TURBINES AND US FIRM SUPPLYING GENERATORS.

3. COMMENT: GIVEN RELATIVELY SMALL AMOUNT OF CRUDE WHICH SOVIETS BEING ASKED PROVIDE FOR MOBILE REFINERY, ZINOV'YEV'S CAUTIOUS POSITION WAS SOMEWHAT SURPRISING. IT IS POSSIBL*, F COURSE, THAT SOVIETS HAVE OTHER REASONS FOR HOLDING BACK ON THIS PROJECT AND SIMPLY USING CRUDE SUPPLY ISSUE AS EXCUSE. ALTERNATIVELY, BARGAINING ON PRICE OF CRUDE COULD BE A FACTOR.SOMMERLATTE

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